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## **Text of Governor Mitch Daniels' property tax plan announcement October 23, 2007**

Good evening.

For the last few months, no subject has been on my mind, or the mind of most Hoosiers, as much as property taxes. In almost every county, some homeowners were hit with huge increases; in some counties, it seemed almost everyone got a big jump. Assessments were inconsistent and often grossly unfair. It is not acceptable that any citizen cannot afford to keep the home they may have worked all their lives to buy. The status quo is not tolerable and we must act to fix it.

Several causes combined to produce this situation. Back in the '90s, courts ordered a change to assessments based on market prices. In 2002, the legislature repealed the inventory property tax on business, and switched from reassessment once a decade to once a year, or "trending". And, the biggest factor of all, total local spending on schools, libraries, school construction, and other services has continued growing faster than taxpayers' incomes. When that happens, property taxes can only go up.

We've been here before. Repeatedly over the last 35 years, state government has tried to help out. State taxes have been raised and the money used to subsidize local budgets and reduce property taxes. By now, 85% of school operating costs are paid for by our state taxes, not our property taxes. Half the sales tax, 3 cents out of 6, is sent back to support local government, or your property taxes would be far higher than they already are.

What we do next must learn from this history, because the old approach has not worked. In every case, a few years later our state taxes were higher and our property taxes were, too. It only took 5 years this time.

I have looked at every option for change. I have talked with Hoosiers all over the state. I have studied Indiana's past approaches to this issue and the attempts of other states to deal with their own problems. When Indiana acts this time, and act we must, our steps must be fair, far-reaching, and final.

I have prepared and will recommend to the legislature a proposal to cut every homeowner's property taxes sharply and cap them forever, at no more than one per cent of a home's true value. This last provision must be added to the state's constitution to ensure its permanence, and guarantee that no Hoosier ever again pays more than a penny on the dollar of their home's value.

We can lower the average Hoosier property tax bill by more than a third by removing forever the rest of school operating costs, and the cost of protecting abused and neglected children, from the local to the state level. Immediate relief should be provided to every homeowner on the May '08 bills, and the full 1% ceiling protection put in place by 2009.

We can fund this reform through a one-cent increase in the sales tax, and by using a small share of the surplus we have restored to the state budget these last three years.

Before settling on the cut and cap approach, I looked hard at the idea of totally eliminating property taxes in our state. Much as I would like to have taken that route, the risks to our schools, to small business, and to our economy generally, dissuaded me. In particular, I could not support the large increase in personal income taxes, paid by every Hoosier worker and most small businesses, which would be necessary for total elimination.

Any plan that makes a real difference in property taxation will have to go to its root cause, and that is excessive spending. Total local spending on school construction, libraries, fire departments, and all other local services simply cannot keep rising faster than Hoosier incomes.

To achieve better discipline while preserving local control, we must have single-point accountability for spending. Today, no one is responsible; each local taxing district sets its budget and sends you its part of the bill, which is only added up when it hits your mailbox. The County Tax Board in each county must accept the duty of reviewing the total of local spending plans and trimming those budgets as needed to keep our taxes down.

As further protection against overspending, we should strengthen taxpayers' direct say in local decisions, especially the borrowing for new schools and other construction which has been the biggest driver of property tax increases. I will propose that any significant new capital project, or any spending in excess of the growth in local income, must be approved by voter referendum.

Next, we must protect other property taxpayers from being exploited. I will propose hard ceilings, with no exceptions and no loopholes, of 2% for rental properties and 3% for other businesses, also written into our constitution.

Finally, our unfair and unfixable assessment system must go. I will propose the elimination of all political assessors and the appointment by each County Council of a single, qualified and certified assessor to oversee trained professionals in conducting future appraisals.

Immediate relief for every homeowner; a one per cent permanent cap on every homeowner's taxes; an end to unfair and inaccurate assessments; real limits on local spending. As bold as these changes would be, I am very optimistic of achieving them, especially if you will help.

In the last 3 years, we have already solved problems like the state government deficit and the state highway shortfall that people said would take years or were simply impossible. We can solve this one, too, and open a new era of opportunity in which Indiana is the nation's leader in defending and promoting the American dream of home ownership.

Thank you and good night.